

## Scenario 1

Alexander Smith is a registered patent attorney and associate at a small patent law firm, Bad Firm LLP. On May 5, 2011, Mr. Smith filed a utility patent application with the U.S. Patent and Trademark Office for his client, Pierce & Pierce, drawn to certain methods of conducting mergers and acquisitions. The patent application was assigned to Art Unit 3691.

On August 5, 2012, the Office issued a non-final Office Action in the application, rejecting the claims as being directed to patent ineligible subject matter under 35 U.S.C. § 101. Mr. Smith immediately requested an in-person interview with the Examiner, which was held on September 5, 2012. During the interview, Mr. Smith berated and insulted the Examiner for rejecting the application. On November 5, 2012, Mr. Smith filed a response to the Office Action. The response included no claim amendments and five pages of remarks, none of which addressed the rejection under § 101. The remarks stated, *inter alia*, “Are you drunk? No, seriously...are you drinking scotch and whiskey with a side of crack cocaine while you ‘examine’ patent applications?”. On December 5, 2012, the Examiner forwarded the response to the Office of Enrollment and Discipline, reported Mr. Smith’s behavior at the interview, and issued a Notice of Non-Compliant Amendment. Mr. Smith neither reported the Notice of Non-Compliant Amendment to Pierce & Pierce, nor made any other filings in the application. The application became abandoned. On May 5, 2013, the Office of Enrollment and Discipline issued a six month suspension of Alexander Smith.

On May 10, 2013, the managing partner of Bad Firm LLP, David Jones, approached Mr. Smith with an opportunity to help establish Bad Firm LLP’s trademark practice. Mr. Smith would be the sole trademark attorney at Bad Firm LLP, practicing under the supervision of Mr. Jones. Mr. Smith’s first assignment was to represent Pierce & Pierce in an Oral Hearing before the Trademark Trial and Appeal Board on June 10, 2013. Because Mr. Smith was suspended, he attended the Oral Hearing under the name of Mr. Jones. On December 10, 2013, the Trademark Trial and Appeal Board issued a decision rejecting the trademark application. On December 11, 2013, Mr. Smith left voicemail messages for the three administrative trademark judges that issued the decision cursing and referring to the judges as “imbeciles”, “worthless”, and “idiots”.



## Scenario 2

After working as a criminal attorney for infamous meth-cooker Walter Weiss, Jimmy McGill corrected course, and is now a family law partner at Chapman & Becker. He's known for being particularly aggressive when it comes to divorce cases. Clients seek him for that aggression and combativeness. A new client shows up one day, Sydney Bristow. Sydney Bristow is a spy in the employ of SD6 and working as double agent for the CIA. Sydney is married to Rafe McCalwey, a fighter pilot for the U.S. Army Air Corps who happened to survive the Attack on Pearl Harbor and Jimmy Doolittle's raid on Tokyo. Sydney wants Jimmy to represent her in a potentially high-profile divorce. Sydney has never used Chapman & Becker and Jimmy knows that getting her as a client could lead to getting other spies and double agents as client's as well. Sydney wants to file for divorce on the basis of adultery. She shows Jimmy an anonymous letter she received with a picture of her husband and their Nanny in a compromising position. The person wrote: "This has been going on for months! Pics are ALL OVER Facebook!!" Sydney wants Jimmy to "friend" the Nanny and download all those pictures.

Due to his questionable past decisions, Jimmy comes to you for advice. Jimmy wants to know what he can ethically do.

- A. Friend the Nanny on Facebook.
- B. Get his secretary to Friend the Nanny on Facebook.
- C. Have Sydney use her husband's account to access the Nanny's Facebook page.
- D. None of the above.

### Scenario 3

Divya Singh is a litigation associate at Chapman & Becker. She's been at Chapman & Becker for six years, ever since she graduated law school. She has a good relationship with all the partners there and they trust her independence and judgment. She's also hoping to make partner soon. Divya has been assigned to an employment discrimination case. Her client, Karen, is a pregnant woman recently dismissed from her job. Karen strongly suspects that she was fired due to her pregnancy. Karen's former boss, Deep Singh, says the reason was performance-based. The company does not have a formal review process and so it is essentially your client's word against Deep's. Divya shares the same last name as Deep. Opposing counsel once mistakenly sent Divya an innocuous email intending to send it to Deep. Because she wanted to keep a civil relationship with opposing counsel, Divya sent back the email. Opposing counsel apologized and offered to reschedule a deposition that would work better with Divya's schedule. Divya appreciated the effort and thinks opposing counsel is a good, trustworthy attorney. Late one night, Divya receives an email from opposing counsel. Upon opening the email, she realizes that it's again meant for Deep. The email states: "Deep, please review ASAP the attached document. It outlines the reasons we could very well lose this case to Karen, as well as our previously-discussed settlement strategy."

What should Divya do?

- A. Delete the email immediately.
- B. Forward back the email without opening the attachment.
- C. Read the attachment and delete the email.
- D. Read the attachment and notify opposing counsel of the misdirected email.
- E. Call opposing counsel and ask him what to do.

## Scenario 4

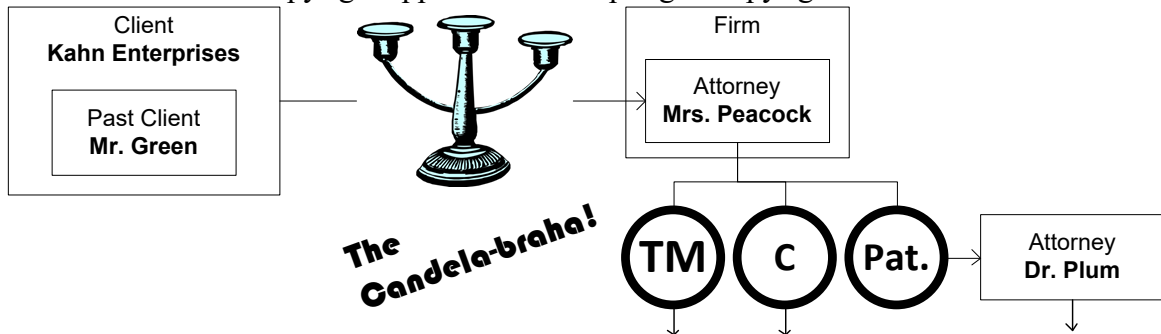
Mrs. Peacock, an experienced criminal litigator recently represented Mr. Green in a successful defense against homicide charges regarding the unfortunate murder of Mr. Boddy, with the wrench, in the conservatory. Mr. Green, trying to rebuild his life after his grueling murder trial, founded an underfunded startup, Kahn Enterprises, and asked Mrs. Peacock if she could obtain intellectual property protection for a novel candlestick holder (“The Candela-braha” with an improved grip and fingerprint-resistant finish) that he developed. Mrs. Peacock had never handled IP prosecution before, but needed pro bono hours and was interested in a challenge and accepted. Mrs. Peacock never mentioned to Mr. Green how *green* she was with respect to IP law, but assumed that Mr. Green knew she was a criminal litigator and therefore didn’t have a lot of IP experience. Mr. Green mentioned The Candela-braha was publically released on January 2, 2021 and asked to keep fees and costs as low as possible.

Mrs. Peacock spent the next three weeks studying her 2L class notes and online help pages regarding patent, trademark, and copyright law. She billed Kahn Enterprises for the time, but at only half her standard rate. After studying, she prepared the applications and emailed copies to Mr. Green, who immediately responded with a one-line email telling Mrs. Peacock to go ahead and file the applications.

Mrs. Peacock attempted to file the patent application electronically on December 30, 2021. Realizing she did not have a patent bar registration number, she began panicking and quickly emailed the patent application to her friend, Dr. Plum, a registered patent attorney in another firm, asking him to file the application for her. Dr. Plum was on vacation, but read the email upon his return late in the day on January 2<sup>nd</sup>. Upon opening the attachment, he realized the application was poorly drafted, contained no figures, was missing required forms, and only had a single, extremely narrow claim. Dr. Plum also noticed a paragraph in the application saying that the first version of The Candela-braha was sold at a trade show on January 2, 2021, and realizing the impending deadline, immediately filed the patent application just before midnight. Dr. Plum reported the filing to Mrs. Peacock along with a bill and called her to discuss the problems with the application. Mrs. Peacock reported the filing to Mr. Green and decided to include the amount of Dr. Plum's bill as a "filing fee" when she billed Kahn Enterprises.

During this time, Mrs. Peacock finished and submitted paper trademark application in paper form for “The Candelabra.” On an online help page, she read that marks can register quicker and more easily on the Supplemental Register rather than the Principal Register, so she selected to register the mark on the Supplemental Register. Eventually, after the application is registered, Mrs. Peacock informs Kahn Enterprises that they now have a registered trademark.

Mrs. Peacock also filed a copyright application attempting to copyright the name “Candela-braha.”



# The Candela-braha!

Presented by Rich Christiansen

# In-house Counsel Ethical Conundrums And Pitfalls For The Unwary

1

## Disclaimer

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2

## A Selection of Ethical Conundrum for In-House Counsel

- In-House Pro Bono
- Insider Trading
- Employer as the Client
- Competitive Intelligence Considerations
- Due Diligence Activities
- Intellectual Property Considerations



3

## In-House Counsel Pro Bono

- Ethical Obligation
- ABA Model Rules of Professional Conduct. Rule 6.1 Voluntary Pro Bono

### **Public Service:**

*Every lawyer has a professional responsibility to provide legal services to those unable to pay. A lawyer should aspire **to render at least (50) hours of pro bono public legal services per year.***



4

## In-House Pro Bono

### Definition of Pro Bono

- ABA Model Rules of Professional Conduct. Rule 6.1

### Key Elements

- Persons of Limited Means
- Organizations that Serve Persons of Limited Means
- Financial Contributions



5

## In-house Non-locally Licensed Attorneys

### In-House Counsel Participation

- Almost half of the jurisdictions **ARE SILENT** on whether non-locally licensed in-house counsel are also able to provide pro bono services. Those jurisdictions that do often impose restrictions.
- In association with an approved legal organization
- Under supervision



6

## In-house Non-locally Licensed Attorneys

- California MJP Rules
  - Rule 9.45 – Registered Legal Aid attorney
  - Rule 9.46 (Amended March 1, 2019) – Creates pathway for non-California licensed attorney to register to practice as in-house counsel
    - Permitted to provide pro bono services under supervision of CA attorney for either eligible legal aid organizations as defined by Rules of Court, rule 9.45(a)(1), or the qualifying institution that employs him or her

## Conflict of Interest?

- A **conflict of interest** is a situation in which someone in a position of trust, such as a lawyer, has competing professional or personal interests.
- Competing interests can make it difficult to fulfill his or her duties impartially.
- APPEARANCE of impropriety

## Conflict of Interest Pro Bono

### **ABA Model Rules of Professional Conduct. Rule 1.7 Conflict Of Interest: Current Clients:**

(b) Notwithstanding the existence of a concurrent conflict of interest under paragraph (a), lawyer may represent a client if:

- (1) the lawyer reasonably believes that the lawyer will be able to provide competent and diligent representation to each affected client;
- (2) the representation is not prohibited by law;
- (3) the representation does not involve the assertion of a claim by one client against another client represented by the lawyer in the same litigation or other proceeding before a tribunal; and
- (4) each affected client gives informed consent.



9

## In-House Pro Bono, Engagement Letters

### **ABA Rules of Professional Conduct. Rule 1.2 Scope Of Representation And Allocation Of Authority Between Client And Lawyer:**

- *(c) A lawyer may limit the scope of the representation if the limitation is reasonable under the circumstances and the client gives informed consent.*



10

## Training and Diligence

- **ABA Model Rules of Professional Conduct. Rule 1.1 Competence:**

*A lawyer shall provide competent representation to a client. Competent representation requires the legal knowledge, skill, thoroughness and preparation reasonably necessary for the representation.*

- **ABA Model Rules of Professional Conduct. Rule 1.3 Diligence:**

*A lawyer shall act with reasonable diligence and promptness in representing a client.*



11

## Insider Trading

- SEC has been increasing prosecution of in-house attorneys for insider trading
  - Apple/SeaWorld In-house lawyers clearly misappropriated confidential information
    - Bought/sold in blackout periods
    - Responsible for ensuring compliance with insider training policies
  - Cintas Corporation – In-house counsel was victimized by a snooping house-guest who dug through papers that had been brought home
- Who might access confidential materials in your possession?
  - Increased risk through COVID



12

## Insider Trading

- US v Klein et.al.
  - Robert Schulman, a law firm partner hired Tibor Klein to manage his IRA
  - Received confidential information regarding a possible merger for King Pharmaceuticals
  - Mentioned to Klein – “it would be nice to be king for a day”
  - Klein and his contacts bought approximately \$600K of King shares
  - Klein and contacts sold the shares two months later after the merger and for approximately 50% ROI
  - Court found that Schulman expected Klein to use non-public information in securities trading



13

## Insider Trading

- Be cautious when trading your company's stock or stock in your industry
- Follow company's trading policies
- Maintain good security hygiene
  - Device security
  - Communications security
  - Paper security



14

## Employer as the Client

- Courts can view the employer of someone who is an attorney as the client
- Kaye v. Rosefielde (New Jersey)
  - Bruce Kaye – Principal of three entities that sell and manage timeshares
  - Alan Rosenfielde – hired as COO and functioned as GC
  - Compensation agreement negotiated approximately four months after hiring
  - Misconduct formed basis of suit for: breach of fiduciary duty, legal malpractice, unlicensed practice of law, and breach of loyalty
  - Kaye sought damages, rescission of agreements, and disgorgement of compensation

## Employer as the Client

- At issue were applicability of:
  - Rule 1.7 (Conflicts of Interest)
  - Rule 1.8 (Business Transactions)
- Defendant argued that he was operating in a business and not legal capacity
- Court found
  - Interactions as if Rosefielde was an attorney
  - Reliance on Rosefielde's legal guidance
- Rosefielde violated Rule 1.8 and created a conflict of interest

## Employer as the Client

- Court found no rational basis to exempt attorney who have been hired by corporate clients to serve as in-house counsel from the ethical requirements of RPC 1.8
- Rules 1.5 (Unreasonable fees), 1.7 (Conflicts of Interest), and 1.8 (Business Transactions)
  - Terms in writing
  - Fair and reasonable
  - Advise to seek independent legal counsel
  - Risk increases as company is smaller
  - Risk increases as customization increases

## Collecting Competitive Intelligence

- Primary intelligence gathering and advice
- Protecting and respecting trade secret information
- Improper acquisition of trade secret information

## Due Diligence Considerations

- Zealous advocate
- Protecting/respecting trade secret information
- In-house counsel participation in calls and review of confidential information
  - How do we learn chemistry, medicinal chem?
  - How do we turn knowledge off?
  - Do we have knowledge that would benefit our client? Tainted?



19

## Gilead Sciences, Inc. v. Merck & Co., Inc

- Merck files broad applications for HCV
- Pharmasset and Merck discuss potential collaboration
  - Merck agrees to Gilead demanded firewall
  - Merck places Dr. Durette (part of HCV team and prosecutor of HCV patents) on Gilead call
  - Dr. Durette quits HCV teams but maintains role as prosecutor
- Dr. Durette wrote claims targeting Pharmasset
- Merck sued Gilead (acquired Pharmasset) for patents by Dr. Durette



20

20

## **Gilead Sciences, Inc. v. Merck & Co., Inc**

- Court held patents unenforceable against Gilead
  - Business misconduct
  - Litigation misconduct
- Inequitable conduct outside scope of Therasense
- Business misconduct provided litigation benefit
  - Expedited prosecution
  - Narrower claims limits risk of invalidity
  - These benefits immediately and necessarily tie business misconduct to the equity of obtaining enforcement



21

21

## **Pitfalls for the Unwary: Day-to-Day Patent Work**

- Declarations (regarding prior art references)
- Applications, USPTO Forms
- Inventor Declarations
- Information Disclosure Statements
- Correction of Inventorship
- Retroactive Request for Foreign Filing License
- Revival of Abandoned Application
- Revival for Failure to Pay Maintenance Fees
- New Expediting Process (distinguishing claims from public references)



22

## The Duty to Disclose Information to the USPTO

- Each individual associated with the filing and prosecution of a patent application has a duty to disclose all known information that is material to patentability – 37 C.F.R. § 1.56
- Duty continues throughout prosecution until patent is granted



23

## Disclosing Information to Patent Office Co-Pending Applications

- There is a duty to disclose rejections in co-pending applications when the pending and rejected claims are **substantially similar**.
  - “Although examiners are not bound to follow other examiners’ interpretations, **knowledge of a potentially different interpretation** is clearly information that an examiner could consider important when examining an application.”
    - *McKesson Information Solutions v. Bridge Medical*, 487 F.3d 897 (Fed. Cir. 2007).



24

## In-house Responsibility for Declarations

- *In re Tendler*, D2013-17 (USPTO 2014), *reinstatement granted*, Proc. No. R22 (OED Dir. 2/29/16)
- Patent attorney filed Rule 131 declaration re: reduction to practice with USPTO.
- Attorney learned that the inventor did not review the declaration and that declaration contained inaccurate information. Respondent did not advise the Office in writing of the inaccurate information and did not fully correct the record in writing.



25

## Declarations Conclusions

- District court held resultant patent unenforceable due to inequitable conduct, in part, because of false declaration. Federal Circuit upheld.
- **Must expressly advise PTO of existence of misrepresentation, stating specifically where it resides**
- **Make it clear that further examination may be required if PTO action may be based on the misrepresentation**
- **It does not suffice to merely supply the Office with accurate facts without calling attention to the misrepresentation.**
- 4 yr. suspension (eligible for reinstatement after 2 years)



26

## Scenario 1



27

## Scenario 1

### *Misconduct, Duties, Competence, Candor, Supervision*

#### Primary Issues

- Misconduct (37 C.F.R. § 11.804; RPC 8.4)
- Duties of disciplined practitioner (37 C.F.R. § 11.58)
- Competence (37 C.F.R. § 11.101; RPC 1.1)
- Communication (37 C.F.R. § 11.104; RPC 1.4)
- Candor toward the tribunal (37 C.F.R. § 11.303; RPC 3.3)
- Responsibilities of partners or supervisory lawyer (37 C.F.R. § 11.501; RPC 5.1)
- *In re Schroeder*, Office of Enrollment and Discipline, D2014-08
- *In re Tassan*, Office of Enrollment and Discipline, D2003-10



28

## Scenario 2



29

## Scenario 2

### *Misconduct, Truthfulness in Statements to Others*

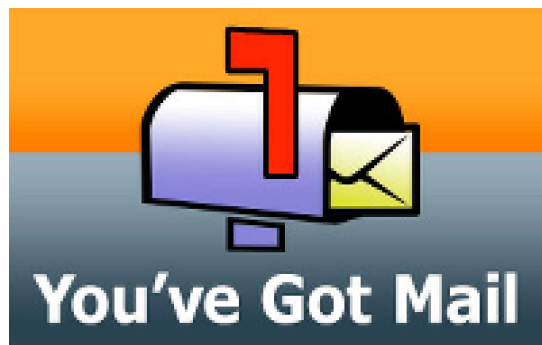
#### **Primary Issues**

- Misconduct (RPC 8.4)
  - Cannot violate a rule or assist or induce another to do so
- Truthfulness in Statements to others (RPC 4.1)
  - Not knowingly make a false statement of material fact or law to a third person



30

## Scenario 3



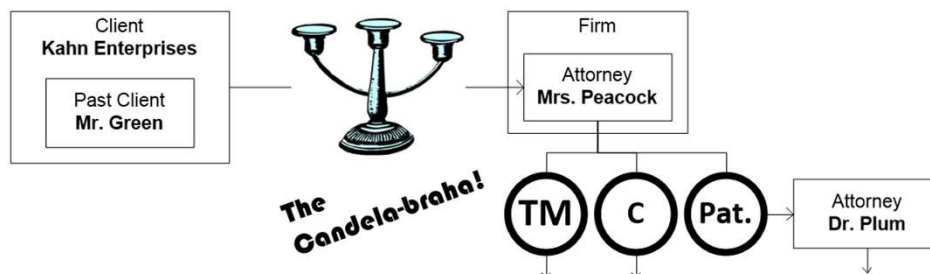
## Scenario 3

### *Respect for Rights of Third Persons*

#### Primary Issues

- RPC 4.4(b)
  - Knows or reasonably should know that the document or electronically stored information was inadvertently sent shall promptly notify the sender
  - Note 2 – Whether the lawyer is required to take additional steps, such as returning the document or electronically stored information, is a matter of law beyond the scope of these Rules, as is the question of whether the privileged status of a document or electronically stored information has been waived.

## Scenario 4



## Scenario 4

### *Competence, Diligence, Fees, Confidentiality, & Conflicts*

#### Primary Issues

- Competence (37 C.F.R. § 11.101; RPC 1.1)
- Diligence (37 C.F.R. § 11.103; RPC 1.3)
- Fees (37 C.F.R. § 11.105)
- Confidentiality (37 C.F.R. § 11.106; RPC 1.6)
- Conflicts (37 C.F.R. §§ 11.107 and 11.108; RPC 1.7, 1.8)
- Declining Representation (37 C.F.R. §11.116(a)(1); RPC 1.16)
- Misrepresentation (37 C.F.R. §11.804(c))

## Speaker Information



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Rich Christiansen focuses his practice on patent litigation, patent prosecution and counseling, and transactional intellectual property, and on a broad range of technologies, including electronics, medical devices, software, clean technology, and mechanical devices. Before launching his legal career, Rich was involved in the development of diesel injection systems at Siemens VDO and was a design engineer at Raytheon Missile System where he participated in the development and testing of a new weapon system.



35

### Locations

## Counsel to innovative companies and brands around the world

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Los Angeles  
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36